

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

JOINT SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By **CHAIRMAN BOB DEPRATU**, on January 11, 1999 at 4:00 P.M., in Room 325 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Rep. Karl Ohs, Vice Chairman (R)
Sen. Lorents Grosfield (R)
Rep. Douglas Mood (R)
Rep. Bruce Simon (R)
Rep. Emily Swanson (D)
Sen. Mike Taylor (R)
Sen. Jon Tester (D)
Rep. Carley Tuss (D)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: None.

Staff Present: Gordon Higgins, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 238, HB 240, HB 237, HB
239, HJR 6, 1/6/1999
Executive Action: None

Governor Racicot - Introductory Comments

Governor Marc Racicot appeared before the committee to thank them for their time and effort. He said Public discussions have indicated interest in economic development. There is a need to protect Montanan's and give them the tools to fix the economic dilemma. This proposal start the ball rolling for a long term, healthy and diverse economic climb and a steady increase in those

jobs that will allow the people to live and work in the state of Montana. The proposals allow for business expansion in all areas of the state. He said that being the "Last Best Place" is not about being last but about quality of life. The quality of our future depends on the choices we make today. He encouraged the committee to keep in mind other critical economic development issues. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 6.1}**

Peter Blouke, Director of the Department of Commerce, spoke about the past year and a half working with the task force, communities and local economic development organizations. **{Tape : 1; Side : A; Approx. Time Counter : 6.7 - 9}**

HEARING ON HOUSE BILL 238

Sponsor: Rep. Karl Ohs, HD 33, introduced HB 238 as the Commission bill. He described the bill as the centerpiece of the Jobs and Income Proposals. The need to institutionalize economic development would enable the economy to increase rather than be piecemeal and short term. **{Tape : 1; Side : A; Approx. Time Counter : 10.2}**

Proponents: Peter Blouke, Director Department of Commerce, commented about the Commission concept. Administrations change and priorities often change. The Commission is one of the vehicles to institutionalize an economic policy for the state. **{Tape : 1; Side : A; Approx. Time Counter : 16.8}**

Randy Johnson, Montana Grain Growers Association, spoke as a supporter of the bill. **{Tape : 1; Side : A; Approx. Time Counter : 18.1}**

Tom Powers had a slide presentation. He discussed some issues that impacted the University System. There is a need for a strategic plan for science and technology. The Research and Commercialization Commission appear to have a source of funds that can be used for matching funds for university research and other economic development activities in the state. **{Tape : 1; Side : A; Approx. Time Counter : 20.7 - 30.2}**

Ralph Hutchinson from Bozeman and member of the Governor's Task Force, spoke in favor of the bill. He pointed out the importance of research and development since this will grow industry. **{Tape : 1; Side : A; Approx. Time Counter : 30.2 - 35.4}**

Russ Ritter, representing Washington Corporation, spoke in support of the bill. He stressed the importance of basic industry. He pointed out the last thing we needed was a

Commission that would come up with a lot of statistics, quotations and a study that would remain like so many other studies on economic development that have taken place in Montana in the last 25 years. Each Governor seems to have intentions of making economic development work in the state. He gave some examples. He noted that mining concentrate produced in Montana is shipped all over the world for smelting. The mining, construction and timber industry should all be included in the Jobs and Income Proposals. These are what drive the economy in the state. Agriculture is another basic industry. The basic industries help drive every other job in the state. **{Tape : 1; Side : A; Approx. Time Counter : 35.4 - 40.3}**

Melissa Case, representing the Hotel and Restaurant Association, spoke about concerns of the lack of focus on basic industries. **EXHIBIT (joh07a01)** She had concerns about attention to the service industry. Tourism has become one of Montana's largest industry. Service industry workers are only making between \$9,000-\$11,000 a year. She believed that wages had fallen for Montana workers because union membership had fallen. As union membership has fallen so has wages, benefits and consumption power. **{Tape : 1; Side : A; Approx. Time Counter : 40.3 - 50.1}**

Don Allen, Western Environmental Trade Association, spoke in support of the bill. He pointed out a need to strengthen basic industries and to bring other industries into the state but not at the risk of the basic industries. He stressed the biggest impediment to growing the economy was in overcoming barriers and red tape. **{Tape : 1; Side : A; Approx. Time Counter : 43 - 54.7}**

Ralph Peck, Director Department of Agriculture, spoke in support of the bill.

Lorna Karn, representing Montana Farm Bureau, was a proponent for the bill.

Bill Snoody, McDonald's Gold Project in Lincoln, discussed the reasons why mining, oil and gas and wood products were omitted from the Governor's blueprint on economic development. He felt Montana had no advocate for mining, timber, wood products and oil and gas within state government. A bureau should be established within the Department of Commerce for these industries. He encouraged the committee to provide more advocacy for these basic industries. He recommended strengthening the existing industries in the state. **{Tape : 1; Side : A; Approx. Time Counter : 56.1 - 57.8}**

Ron De Young, representing Montana Farmer's Union, said his association would like to see progress in jobs and income.

Montana agriculture is very important especially in the development of value added crops.

Carson Strege, Montana People's Action, testified in support of the bill. She suggested the Commission define "livable wage".

{Tape : 1; Side : A; Approx. Time Counter : 59.2}

Evan Barrett, representing Montana Economic Development Association, discussed economic development. He suggested a campaign for business recruitment and some recognition of local areas. This campaign should have the elevation of the Governor's Office for visibility and have membership from someone active, representing local economic development, to learn what works.

{Tape : 1; Side : A; Approx. Time Counter : 61.1 - 62.3; Comments : Tape 1B}

Carl Schweitzer, Montana Wood Products Association, discussed concerns about a lack of emphasis on basic industries. **{Tape : 1; Side : B; Approx. Time Counter : 5.9}**

Chuck Mergre, Chairman of the Vision 2005 Task Force on Agriculture, discussed being open for business and how to create "sizzle". **{Tape : 1; Side : B; Approx. Time Counter : 6.6}**

Don Judge, representing AFL-CIO, spoke regarding the 42,000 households in the state that were union members. The increase in the union membership is happening because workers are frustrated about economic development not trickling down to the workers. The government refuses to address the lack of adequate wages, the number of dual income earners and a large portion of the work force that is not covered under an employer based health insurance system. He made suggestions to the bill. **{Tape : 1; Side : B; Approx. Time Counter : 11.3-18.2}**

Riley Johnson, National Federation of Independent Businesses, discussed the 8,000 members of small and independent business that were in the association. This bill would provide longevity to economic development. **{Tape : 1; Side : B; Approx. Time Counter : 18.2 - 20.2}**

Gloria Paladichik, Richland Economic Development Council, went on record as supporting the bill.

Jill Andrews, Montana Mining Association, spoke about the importance of the Governor's blueprint for economic development. She said the decline in income could be recognized from a decline in natural resource extraction jobs. She described mineral uses in industrial products. **{Tape : 1; Side : B; Approx. Time Counter : 21 - 22.6}**

Steve Turkiewicz, representing the Montana Auto Dealers Association, supported the bill.

Richard Krott, Executive Director of the Rocky Mountain Trade Corridor, said they were a private organization that helped business expand their markets outside of Montana. He pointed out the continuity was the best part of the bill. He said the historical, basic industries were left out of the committee representation. Transportation or extractive industries were not represented. Economic development groups have proven themselves and should have representation but should not be mandated. Less demanding language would have more appeal to the private sector. **{Tape : 1; Side : B; Approx. Time Counter : 23.5}**

Webb Brown, Montana Chamber of Commerce, spoke in support of the bill. He said continuity from administration to administration was critical for success. **{Tape : 1; Side : B; Approx. Time Counter : 26.5}**

Opponents: Rep. John Cobb, HD 50, spoke as an opponent. He was opposed to the bill until specific performance measurements were addressed. He suggested some general amendments. These addressed existing salaries in the state and equal opportunity for the highway construction jobs. **{Tape : 1; Side : B; Approx. Time Counter : 27.6-32.6}**

Questions from Committee Members and Responses: Sen. Taylor noted that there was a lot of support for the bill. He pointed out the committee worked in a bipartisan manner and not for specific industries but for Montana families. **{Tape : 1; Side : B; Approx. Time Counter : 27.6 - 34.7}**

Closing by Sponsor: Rep. Ohs closed. He said they had worked to keep the Commission manageable. He pointed out the bill was both visionary and balanced with traditional industries. He said the centerpiece, the institutionalizing of jobs and income would make it stand the test of time for economic development. **{Tape : 1; Side : B; Approx. Time Counter : 34.7 - 37}**

HEARING ON HOUSE BILL 240

Sponsor: Rep. Emily Swanson, HD 30, presented HB 240.

EXHIBIT(joh07a02) She described the bill as an important component of the Jobs and Income package. She said this was a tax credit available to employers with 2-9 employees. She mentioned the committee had focused on programs in state government that would help economic development. The statistics show Montana as last in their percent of employers who provide

health insurance to their employees. There are 41,000 employees of small business who are eligible for health insurance but who don't have coverage through their work place. This is one of the most important and basic benefits to the financial security to families. More and more health insurance benefits are key benefits to employees as much as wage increases. There are benefits to employers. One would allow the small business owner to cover themselves and their families with health insurance through a group plan. It offers to the employers the ability to stay more competitive in recruiting and retaining quality employees. Preventive health care will keep people on the job. She pointed out the amount of cost shifting that occurs because people are driven onto Medicaid through not being able to cover their own medical expenses. More people covered by health insurance would reverse that trend. **{Tape : 1; Side : B; Approx. Time Counter : 37 - 42}**

Proponents: Mark O'Keefe, State Auditor, spoke in favor of the bill. He distributed a copy of an article *Coming up Short* from the Billings Gazette. **EXHIBIT(joh07a03)** There are only 26% of business that offer health care to their employees. He said the problem seems to be clear in the Insurance Department. The Legislature for the last four Sessions have been dealing with issues to make insurance more affordable, to make it a guaranteed issue, to make it accessible, but no one yet either at the state or federal level have addressed the biggest problem - affordability. Small employers and their employees work hard and don't make enough money to pay for health insurance because it costs too much. He said this was an incentive bill for employers to give their workers health care. **{Tape : 1; Side : B; Approx. Time Counter : 43 - 48}**

Ron de Young, Montana Farmer's Union, spoke about the need for better health care for Montanan's.

Riley Johnson, National Federation of Independent Businesses, spoke in support for the bill. He discussed the costs of the program. He pointed out from the standpoint of the small employer a three year carrot is not adequate. Small businesses in the 3-5 class are not doing 3 year and 5 year and 10 year production in business plans. They are lucky if they do a one year plan. Small businessman's definition of cash flow - is what is in the til at the end of the night. It isn't because we don't want to plan or don't know how to plan or have the resources but we are so busy turning on the lights, opening the doors, selling the products, filling in for employees that aren't there, paying the bills and turning out the lights and sweeping up, that is where our interest is. That is where it has to be because the 2-9 class is just not making that kind of money. He pointed out

the need to be realistic and ask what would sell the small employer. Committing to a three year program would deter many employers. He felt the fiscal note was all wrong. He suggested ways to entice employers. One suggestion was to extend the credit to five years. Generally you could get into a program that was not spending money out of your til on a five year program better than you could on two years. One way to improve the small employer health sign ups was to allow employers to contribute something to help employees, rather than 100%. He asked the committee to think about the people that had 25 years of health insurance and now they had nothing. **{Tape : 1; Side : B; Approx. Time Counter : 49.6}**

Melissa Case, Hotel Employees and Restaurant Employees Union, said they supported the bill but had some concerns that there was no tax credit for people who have been providing insurance. We should consider rewarding employers who have worked so diligently to provide health insurance. **{Tape : 1; Side : B; Approx. Time Counter : 49.6 - 62}**

Chuck Butler, Blue Cross Blue Shield of Montana, spoke in support of the bill. The group serves 2500 groups in the state of Montana which range between 2-1000 employees. He emphasized that Montana really is a small employer state. Three fourths of employer groups are in the 2-9 category. The price is the number one reason people have no insurance. This bill would be a benefit to small employers. **{Tape : 1; Side : B; Approx. Time Counter : 62 - 63.4}**

Patrick Cassidy, a small business employer, said he was optimistic about the bill.

Tom Ebzery, an attorney in Billings representing the Yellowstone Community Health Plan which is a 50-50 partnership between St. Vincent Hospital and Blue Cross Blue Shield, a health maintenance operation that serves small employers, spoke in support of the bill. He said this was an important first step and needs to be done. **{Tape : 2; Side : A; Approx. Time Counter : 0.8}**

Evan Barrett, Economic Development Association of Butte, spoke in support of the bill. He pointed out the complicated issue of insurance. Montana has the highest percentage of small business and was the lowest in providing health care to employees. Incentives do count and make a difference. Quality jobs can be enhanced by wages and benefits. This would make a good faith effort to jump start a program and enlist people to participate. **{Tape : 2; Side : A; Approx. Time Counter : 0.8 - 2.3}**

Mary Ellen, representing the Montana Medical Benefit Plan, spoke as a proponent. **{Tape : 2; Side : A; Approx. Time Counter : 2.3 - 3.2}**

Don Judge, Montana AFL-CIO, supported the concept. He noted that a lot of worker's were not covered with health insurance. Those that don't have health insurance are shifted on the backs of workers with insurance which increases premiums. **{Tape : 2; Side : A; Approx. Time Counter : 3.2 - 4.3}**

Opponents: None.

Questions from Committee Members and Responses: Rep. Mood asked why the federal government allowed the deduction of 100% for some companies and some were zero. He asked why there was a three year decline of the tax credit. Rep. Swanson said the thinking was that it was a jump start. We could only afford to do this as a temporary measure, a gesture towards trying to encourage businesses to get into health insurance for their employees. She pointed out even a five year credit would be a trial to see if it was affordable for the state or as effective in getting more individuals covered by health insurance. The idea for the increasing amount was to give the biggest bait for the first year and as that business has a chance to establish itself and get to a higher level of capability. **{Tape : 2; Side : A; Approx. Time Counter : 5.4 - 7.7}**

Sen. Taylor said he supported the bill and agreed with some of the language by Riley Johnson. He pointed out he did not want to see the "bait and switch" in it. He explained the federal government sets us up for these programs and then they take them away from Montana businesses after getting them going. Once the credit deducts itself then we might loose some of those small businesses that create that health insurance. If there was a way to support small businesses and employees that can get a deduction and benefit to continue this long term then he was in support of the proposal. **{Tape : 2; Side : A; Approx. Time Counter : 5.4 - 8.7}**

Closing by Sponsor: Rep. Swanson closed. She suggested the appropriate use of the tobacco settlement money would be to promote health care and health insurance benefits for employees. **{Tape : 2; Side : A; Approx. Time Counter : 9.4 - 11.1}**

HEARING ON HOUSE BILL 237

Sponsor: Rep. Emily Swanson, HD 30, said the bill would revise the Board of Investment loan programs for infrastructure. She

explained this was a piece of the Jobs and Income package. **{Tape : 2; Side : A; Approx. Time Counter : 11.8 - 13.5}**

Proponents: Carroll South, Executive Director of the Board of Investments, discussed past uses of the loan program, such as the ASME Plant in Butte. Another aspect of the law is the interest rate reduction if jobs are provided. The board is supportive of this because an increase in the utilization of this program is in the best interest of the state of Montana. The board recently decided to increase its marketing effort not only on this program but its in-state investment program. The board historically has not spent a lot of money marketing and it is time to do that and any encouragement would be appreciated. **{Tape : 2; Side : A; Approx. Time Counter : 13.6 - 15.6}**

Peter Blouke, Director of Department of Commerce, supported the program. He pointed out the focus group had constant themes regarding access to debt equity capital. **{Tape : 2; Side : A; Approx. Time Counter : 15.6 - 16.5}**

Jim Davidson, representing the Montana Economic Development Association and the Anaconda Local Development, spoke in favor of the bill. He said he was excited about the bill. He called it the "Grandson of Micron". There are so many small businesses that do need infrastructure. **{Tape : 2; Side : A; Approx. Time Counter : 16.5 - 17.5}**

Andy Poole, Deputy Director of the Department of Commerce, shared comments from the focus groups. The one issue heard frequently was this was a state incentive that was not available to rural communities. They felt by lowering the job numbers and the amount of money that could be borrowed by the Board of Investments that economic development could be created in rural Montana that cannot occur under this program the way it is written right now. **{Tape : 2; Side : A; Approx. Time Counter : 17.5 - 18.6}**

Lorna Karn, representing Montana Farm Bureau, stressed the importance of economic development for the state of Montana and to help communities and basic industries. **{Tape : 2; Side : A; Approx. Time Counter : 18.6 - 19.9}**

Ralph Peck, Director of the Department of Agriculture, pointed out the importance to rural Montana. **{Tape : 2; Side : A; Approx. Time Counter : 20}**

Randy Johnson, representing the Montana Grain Growers Association, supported HB 237. **{Tape : 2; Side : A; Approx. Time Counter : 20 - 20.9}**

Evan Barrett, representing Butte Local Development Association, said the bill perfects a good tool. The 50 jobs was an impediment where 15 would make the program accessible. **{Tape : 2; Side : A; Approx. Time Counter : 20.9 - 23}**

Ron de Young, Montana Farmers Union, supported the bill.

Opponents: None

Questions from Committee Members and Responses: Rep. Simon asked about effects on the Board of Investments on smaller projects. He asked if this would be more complicated. South replied he was not sure what the effect would be. They felt they should utilize the program more than they have. The law is four years old and they have utilized it once. The 50 job threshold is a lot of jobs and it has to be in the basic sector, not like a motel. He pointed out another benefit to the business was the deduction on the corporate income tax. **{Tape : 2; Side : A; Approx. Time Counter : 23.6}**

Sen. Taylor asked about the promotion of marketing and investment in Montana jobs and businesses. South replied at the last board meeting in December there was information compiled about the in-state investment program. The board devoted to a serious promotional effort, not only on this program but others. The Department of Commerce and the two banking associations have agreed to help with this project. **{Tape : 2; Side : A; Approx. Time Counter : 23.6 - 26.6}**

Closing by Sponsor: Rep. Swanson closed. She pointed out there were a number of tools that have been tried. This tool will be improved and given a chance to work.

HEARING ON HOUSE BILL 239

Sponsor: Rep. Carley Tuss, HD 46, presented the bill. She described the Foreign Capital Depository program. She noted this bill would be a push to the Department of Commerce to be very aggressive. This would make statutory appropriations so the Legislature would have ongoing control. **EXHIBIT(joh07a04) {Tape : 2; Side : A; Approx. Time Counter : 29.1 - 31}**

Proponents: Peter Blouke, Director Department of Commerce, spoke in support of the bill. He pointed out the value of the Jobs and

Income Commission regarding continuity towards economic development effort. He noted concerns for one time funding that this should not be a two year effort but an ongoing effort. A continuing source of funding was needed for the economic development effort. The Foreign Capital Depository was proposed as a way to fund development. Seventy five percent of the depository would be dedicated to economic development up to \$8 million dollars. Additional revenue generated after that would go to the General Fund. **{Tape : 2; Side : A; Approx. Time Counter : 31.6 - 35.6}**

Evan Barrett, representing the Montana Economic Development Association, spoke in support of the bill. He said this was a good, no-risk method for long term funding.

Randy Johnson, Montana Grain Growers Association, spoke in support of the bill. He felt it made good sense and was a good idea.

Lorna Frank Karn, Montana Farm Bureau, supported the bill.

Sen. Mike Sprague, SD 6, supported the bill. He noted the original intent of the bill was to provide 50% of the gain from the depository would go towards income tax relief. He said this was a marketing problem as opposed to an opportunity problem. **{Tape : 2; Side : A; Approx. Time Counter : 36.9 - 39.5}**

Ralph Peck, Director Department of Agriculture, said the department was 100% in favor of the bill.

Opponents: None.

Questions from Committee Members and Responses: None.

Closing by Sponsor: Rep. Tuss closed. She said this represented a potential for tax relief and economic development. Whatever the department needs, in terms of marketing the foreign depository, should be a priority. **{Tape : 2; Side : A; Approx. Time Counter : 39.5 - 41}**

HEARING ON HOUSE JOINT RESOLUTION 6

Sponsor: Rep. Doug Mood, HD 58, presented the resolution. He explained the resolution would encourage the Board of Investments to increase their investments to Montana companies. **{Tape : 2; Side : A; Approx. Time Counter : 41.6 - 43}**

Proponents: Carroll South, Executive Director of the Board of Investments, testified in support of the resolution. He said he was concerned about in-state investments. He noted the trust was divided into five sub-funds. He described the makeup of these sub-funds. He said they would begin to target, in conjunction with the Bank Association, the potential borrowers for this program. Marketing has only been done to the financial institutions since the Board is precluded by law from lending directly to a borrower. The only loan application the board ever sees is the one they get from a financial institution. He pointed out that it appeared the board targets the wrong group. He said, with the banks in the state of Montana, they should target those entrepreneurs who are going to create the jobs. It is the borrowers who benefit from this program. The banks benefit very little. The borrower can attract long term, fixed interest rates at a favorable market rate. If they provide enough jobs they can get a 2 1/2% interest rate reduction. The Board may need help reaching the 25%. {Tape : 2; Side : A; Approx. Time Counter : 43.9}

Peter Blouke said he was in support of the bill. He pointed out one of the criticisms of the bill was it appeared to be a "feel good" bill and wouldn't really do anything. The intent of the Legislature is to give the Board of Investments impetus to be more aggressively involved in assisting Montana companies. The important focus of the Jobs and Income Proposals is to send a message that Montana is open for business and we are serious about assisting businesses. The Legislature is strongly encouraging use of state funds for in-state investment. {Tape : 2; Side : A; Approx. Time Counter : 43.9 - 50}

Evan Barrett, Montana Economic Developer's Association, supported the bill. He pointed out the reality is that the number of loans in this category hasn't occurred. The board taking on aggressive marketing is a good sign. These programs are very beneficial to startup businesses and expansion because of the interest rate reduction that is in them. Marketing through the banks is a good idea because one of the problems is the banks. Once the banks get a hold of a federally guaranteed paper they are reluctant to give it up. He pointed out the need to educate financial institutions and entrepreneurs and this bill would be a stimulus in that direction. {Tape : 2; Side : A; Approx. Time Counter : 50.8 - 52.8}

Lorna Karn, Montana Farm Bureau, discussed the policy of their association that recommended state financial institutions be given priority in investment. They believe that investing in businesses that add value to the state's basic industries provide the necessary opportunity for businesses to create quality, long

term, career opportunities to strengthen, diversify and stabilize the Montana economy. **{Tape : 2; Side : A; Approx. Time Counter : 52.8 - 53.7}**

Randy Johnson, Montana Grain Growers Association, supported the bill. The Resolution would give incentive to the Board to increase their marketing. When that is coupled with the mind set and attitude of building and promoting Montana jobs and income, 25% may not be enough. **{Tape : 2; Side : A; Approx. Time Counter : 53.7 - 54.6}**

Ron de Young, Montana Farmers Union, was in support of the bill. He said he really appreciated the comments by the Board of Investment. You cannot expect the banks to promote participation. **{Tape : 2; Side : A; Approx. Time Counter : 54.6 - 55}**

Ralph Peck, Director Department of Agriculture, rose in support of the Resolution.

Opponents: None.

Questions from Committee Members and Responses: None.

Closing by Sponsor: Rep. Mood closed. He pointed out the message was not only to the Board of Investments but also to entrepreneurs in the state of Montana that we are serious about helping them in developing the economy of Montana.

ADJOURNMENT

Adjournment: 7:00 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (joh07aad)